

‘NGOzation’ of Latin America: A Study of Donors, NGOs, and the Poor.

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Charlene Chi

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Project Advisors: Irfan Nooruddin, Department of Political Science
Joel Wainwright, Department of Geography

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Table of Contents

Acronym Guide	4
Introduction	5
Chapter 1: Capabilities Approach	8
Chapter 2: Argument	18
Chapter 3: Theoretical Framework	43
Chapter 4: Recommendations	54
Appendices	61
Bibliography	65

Acronym Guide

DEA	Drug Enforcement Agency
FGD	Foreign Government Donor
IMF	International Monetary Fund
INL	International Narcotics and Law Enforcement Agency
NAS	Narcotics Affairs Section
NGO	Non-governmental Organization
TLC	Tratado Libre Comercio
UN	United Nations
UNDP	United Nations Development Program
USAID	United States Agency of International Development
WHA	Western Hemisphere Affairs

NGO Names

ADRA	Agencia Adventista para el Desarrollo y Recursos Asistenciales
CEDRO	Centro de Información y Educación Para la Prevención del Abuso de Drogas
CRESER	Ser para Crecer
LULI	Proyecto Luli
OPCION	Opción
SUMBI	Servicios Educativos y Propuesta Social

Introduction

Since 1980, there has been an exponential increase in the amount of international funds allocated to local non-governmental organizations (NGOs) working in development projects in developing countries. Of the recipients, Latin America as a region has witnessed the most rapid growth in NGO numbers.¹ This growth is in part due to efforts to empower the poor and to frustrations with state-centered development programs. Dominant development discourse advocates for NGOs to play a central role in providing training and re-education to the marginalized populations who are excluded from their country's economic growth. The Latin American NGO sector is a multi-million dollar industry, in terms of employment and service provision.² The sector is diverse with a focus on service provision and advocacy, and covers education, environment, human rights, development, health, and many other common development themes. The rapid growth of the NGO industry itself, and of the surrounding academic and policy literature, has increased expectations that NGOs are major players in improving the quality of life of the poor in Latin America. There were global calls for governments to partner with NGOs to provide them the resources necessary in order to provide and advocate for the poor. Those calls have been answered. Thirty-five percent of NGO revenues come from public sectors, the second largest source of revenue next to general fees.³

Yet with the increased material resources of NGOs coupled with economic development through the region, the welfare of the impoverished and marginalized groups that these NGOs aim to help continues to decline. The Gross National Income (GNI) per capita in Latin America

¹ Salamon, L., S. Sokolowski, and R. List. (2003). "Global Civil Society - Dimensions of the Non-Profit Sector." Johns Hopkins Center for Civil Society Studies.

² Ibid.

³ Ibid.

is \$3,600,⁴ but those owned by the impoverished groups is far less. Approximately forty percent of the region's population lives below the poverty line of less than \$2 a day and twenty percent live below the extreme poverty line of less than \$1 a day.⁵ In my specific study in Peru, GNI per capita was \$2,650, but 54 percent of the population still lives below the poverty line.⁶ Social services are inadequate. In the isolated regions of the highlands and the jungle, 36 percent of children under five years old are malnourished, 35 percent of women are illiterate, 39 percent of the population does not have access to electricity, and 69 percent do not have access to acceptable sanitation services.⁷

These poverty rates and lack of access to basic services persist even when the national economy and nationally registered NGO numbers have increased in the past 20 years.⁸ Peru's economy has experienced economic growth where from 1985-1995, its Gross Domestic Product (GDP) increased from US\$18.8 billion to US\$53.6 billion. In 2005, its GDP was \$78.4 billion.⁹ Its rate of GDP per capita growth annually was -2.1% in 1985; in 2005, it was 5.1%. Despite these growth, 14 million Peruvians still live below the poverty line.¹⁰ The measurement of inequality reflected in the Gini index is 49.8 where the poorest ten percent of the population holds less than one percent of the nation's income and the richest ten percent holds over 37 percent of the national income.¹¹

In this thesis, I examine why the growths in the national economy as well as NGO funds and numbers have failed to increase the quality of life for marginalized populations. To do so, I

⁴ Data & Statistics. Latin America & the Caribbean. World Bank 2005.

⁵ Ibid.

⁶ Peru Data Profile. Development Data & Statistics. World Bank. 2005.

⁷ USAID Budget Summary. Peru. <http://www.usaid.gov/policy/budget/cbj2006/lac/pe.html>.

⁸ Ibid.

⁹ Development Data, Peru 2005. World Bank. http://devdata.worldbank.org/AAG/per_aag.pdf

¹⁰ Peru. 2005. CIA World Fact Book.

¹¹ Human Development Reports 2005. United Nations Development Program. United Nations. <http://hdr.undp.org/statistics/data/countries.cfm?c=PER>.

conduct a case study of a U.S. State Department-funded, Peruvian NGO-implemented development program in Peru. I ask the question: “Why has the program failed to improve the quality of life of the poor despite abundant material resources and human labor?” I utilize a political economy approach to answer this question. The analysis focuses on the relationships between project actors: foreign government donors (FGDs), local NGOs that work with FGDs (NGOs) and the poor who are recipients of these programs (Poor).

The United States as a more developed neighbor with a historical presence in the country and the region is acting as a guide to Peru’s development. It is doing so by providing funds as a FGD as well as through bilateral and multilateral foreign policies. My analysis focuses on the former. I proceed to define “development” and introduce the principles behind development and its guidance in chapter 1. I present the ideals and applications of the capabilities approach, trusteeship, and other forces that lay the foundations for development programs in developing countries. In chapter 2, I introduce my argument on the interests that motivate FGDs and NGOs to undertake development projects. I also analyze the Peruvian case study based on each project actor’s interests. In chapter 3, I employ game theory to develop a theoretical framework to analyze FGD – NGO programs. Lastly, I propose recommendations for improving the current development program paradigm in chapter 4.

Thus, I answer my broader research question by studying a specific Peruvian development program and generalizing my findings to other FGD-funded, NGO-implemented programs in Latin America. This analysis can also serve as a tool towards addressing similar programs in other region, such as South Asia and Sub-Saharan Africa that face greater rates of poverty and are receiving an increasing presence of NGO and FGD development projects.

Chapter 1

Capabilities Approach

A recent, popular approach to development has been the capabilities approach. It is a concept developed by academics, advocated by international development agencies and national governments, and implemented by NGOs. In this section, I present this approach by reviewing the core arguments made by Amartya Sen and Martha Nussbaum. I then formulate how development agencies and NGOs have adopted this approach.

Traditional definitions of development have focused on economic growth, specifically GDP growth, or increases in income and real wages. Development discourse focuses on how to increase these indicators of macroeconomic growth. In *Development as Freedom*, Sen critiques this traditional focus as the sole measures of a country's development. He argues that development is much more than increases in monetary and material wealth. Instead, development is primarily a means to expand a person's freedoms. Expansions of a person's capabilities such that she can live a life that is free and of value is the goal of development. Increases in macroeconomic indicators are simply means to reach this end goal of human freedoms. These indicators are not ends in themselves. In this view, the lack of development is more than deprivation of income, it is the deprivation of a person's capabilities and freedoms. Development is thus defined as expansion of individual freedoms, which are reached via expansion of persons' capabilities. These expansions should be the goal of development as well as the means to reach development.

Sen goes on to identify five instrumental freedoms that lay the foundations for living a life a person has reason to value. These freedoms are interrelated and complementary: political freedoms, economic facilities, social opportunities, transparency guarantees, and protective

security. Political freedoms are the ability people have to choose, scrutinize, and criticize elected authorities without fear of retribution; these freedoms include, but are not limited to, meaningful participatory processes that affect political outcomes in substantive ways. Economic facilities are the opportunities that individuals have to obtain and use economic resources to maintain adequate standards of living; people should be able to take part in the national economy through consumption, production, and exchange activities. They cannot be so impoverished that they are unable to engage in the necessary livelihood activities of purchases and sales. Social opportunities are the arrangements provided to individuals that allow them to live better; these arrangements include access to education and healthcare to prevent premature deaths and enhance effective political and economic participation. Only when people are literate and healthy can they understand and participate in their countries political processes. Transparency guarantees are the trust between peoples to deal with each other under assurances of disclosure; these guarantees prevent contract breaches, corruptions, and opaque governance. This trust needs to be built under working state institutions. Protective securities are fixed institutional structures that provide social safety nets to prevent marginalized populations from succumbing to abject misery; examples include social security and welfare systems. Each of these freedoms hold intrinsic value in itself as an expression of human rights. However, they are also instrumental towards enhancing an individual's overall freedom to live a life she has reason to value.¹² These freedoms constitute human and national development.

In *Women and Human Development*, Nussbaum elaborates on the capabilities approach by formulating the 'principal of each person as an end', which states that a person's increased quality of life in and of itself should be the end goal of development, not GDP or other aggregate

¹² Sen, A. (1999). *Development as Freedom*. Anchor Books. New York.

economic growth indicators. Countries should invest in their people's education and healthcare because literate and healthy individuals are end goals. They are not the means towards increasing a nation's productivity levels. This is a drastic departure from recent development practices that puts economic growth at the center and asks how people's welfare can be included in that growth. Nussbaum puts persons at the center of those practices.

Nussbaum also adds to Sen by introducing the idea of threshold. She argues that there is a quality of life threshold to which all humans are entitled. Such a threshold includes not only the traditional notions of food, clothing, and shelter, but also the ability to use the senses, imagination, and thought; to have social bases of self-respect and control over one's environment; to feel, reason, and play.¹³ These human capabilities are central to the quality of life threshold that each individual needs in order to live a life that is "truly human".

The above threshold list is one of combined capabilities, and their realizations require the development of a person's basic and internal capabilities as well as a suitable external environment. Nussbaum defines basic capabilities in terms of the innate equipment with which most individuals are born and needed for basic human functions. Internal capabilities are the mature (and often externally nurtured) states of those innate equipments that allow a person to exercise human functions. These matured human states then have to combine with suitable external conditions to allow for the full expression of a person's capabilities. For instance, if a person is to exercise the freedom of speech, she needs the basic capability for speech with which she is born; she then develops the internal capability to articulate her thoughts and communicate through education and interactions with others; additionally, she has to be allowed to express those thoughts freely by permissive external environments.

¹³ Nussbaum, M. (2000). *Women and Human Development*. Cambridge University Press. Cambridge, UK.

Implications this combined capabilities approach carry for development are that a nation has not only to ensure a person's physical wellbeing so that she is born with her internal abilities intact, but also promote appropriate environments for developing a person's internal abilities as well as preparing a favorable environment for exercising those internal powers.¹⁴ In achieving development aims of comprehensive individual freedoms, society plays a central role.

The capabilities approach's tenet in undertaking a comprehensive view of poverty, enhancing instrumental freedoms, fostering human capabilities, and building suitable external environments to improve people's overall qualities of life have played a key role in shaping development discourse and policies of organizations such as the World Bank (Bank), United Nations (UN), U.S. Agency of International Development (USAID), and U.S. State Department.

In 2000, the World Bank published the series "Voices of the Poor." It aimed to understand the multiple dimensions of poverty from the poor themselves through documenting the livelihoods of more than 60,000 poor people from 60 countries.¹⁵ The series comprised of Participatory Poverty Assessments that conducted focus groups, interviews, and qualitative studies to ask the poor of their opinions and needs.¹⁶ The 2000/2001 World Bank Development Report: "Attacking Poverty" published the series' findings that poverty is voicelessness, powerlessness, exclusion, insecurity, and humiliation. The report stated that such quality of life measures of poverty now complement their traditional measures of income and consumption. In his address to the Board of Governors in 1999, World Bank President James Wolfensohn remarked that listening to and acting on behalf of the voices of the poor would be central to the

¹⁴ Ibid.

¹⁵ Narayan, D., R. Patel, K. Schafft, A. Rademacher, and S. Koch-Schulte. (2000). "Voices of the Poor: Can Anyone Hear Us?" New York, N.Y.: Published for the World Bank, Oxford University Press.

¹⁶ Ibid.

work of the World Bank as an institution.¹⁷ The 2006 World Bank Development Report: “Equity and Development” explains the prevalence, deprivations, and consequences of inequity; the importance of equity in terms of ethics, investment, and institutions; and how to achieve equity through building human capabilities so that people can participate in economic and political fields.

The Human Development Index published annually by the United Nations is another comprehensive measure of the overall quality of life a nation’s people enjoy. Indicators include life expectancy, infant mortality, literacy rates, school enrollment rates, and access to public services. The 2006 Human Development Report stated that United Nations Development Program (UNDP) puts people at the center of the development process and helps countries address the desires and needs of the poor.¹⁸ United Nations Development Programs are composed of themes in democratic governance, equality, human rights along with other comprehensive, freedom-based poverty reduction programs.

“Attacking Poverty” through respecting and empowering individuals is not a theme limited to international development agencies. U.S. Agency of International Development’s mission statement has “empowering communities and individuals” at the focus of its latest development programs across four continents. 77 percent of USAID’s “Transformational Development” budget goes towards programs of “Investing in People” and “Promoting Economic Freedoms.” Its development themes echo those of the World Bank and UN: women’s empowerment, education, democracy, and governance.¹⁹

Promoting human freedoms and capabilities has even spilt over to U.S. foreign policy.

¹⁷ “From Voices to Actions.” Poverty Net. World Bank. <http://www1.worldbank.org/prem/poverty/voices/vtoa.htm>

¹⁸ http://www.undp.org/publications/annualreport2006/promoting_human_development.shtml

¹⁹ “All Accounts to Support Transformational Development Countries.” USAID Summary of FY 2007 Budget and Program Overview. <http://www.usaid.gov/policy/budget/cbj2007/summary.html>

Secretary of State Condoleezza Rice has undertaken restructuring the State Department based on the philosophy of transformational diplomacy, which aims to “use America’s diplomatic powers to help foreign citizens better their own futures, to build their own nations, and to transform their own futures.”²⁰

The capabilities approach has thus become the base paradigm under which international and national agencies structure their development programs, and non-governmental organizations (NGOs) have been called upon to implement these programs. As defined by the World Bank, NGOs are private or nonprofit organizations that are not affiliated with a governmental body or institution. Their membership is composed of private individuals or groups. NGOs’ characteristics of small size, representative composition, horizontal structures, and cost efficiency are advantages that better equip them to empower individuals than heavily bureaucratized states and international agencies. NGOs’ small sizes and grassroots origins make them better able to relate and undertake the approach’s focus on individuals. NGO staff are composed of local peoples, making them more knowledgeable of the desires and needs of the poor in that area. Working in small organizations, NGO members have more of a stake in ensuring the viability of their organizations. They have greater incentives to generate innovative ideas that enhance performance at low costs. The combination of these traits makes NGOs the chosen actors in implementing development projects that are poor-representative and poor-participatory.

Academics, development agencies, and NGOs agree that there is a role, indeed a responsibility, for society to promote development in the form of individual freedoms. Human capabilities cannot develop within a vacuum of societal freedoms and opportunities. Based on

²⁰ Rice, Condoleezza. “Address to Georgetown University. January 18, 2006. <http://www.state.gov/secretary/rm.htm> (emphasis in original script).

this combined capabilities approach, development programs employ both a ‘bottom-up’ and ‘top-down’ focus where they empower individuals to develop their internal capabilities and call upon governments to put people’s welfare at the center of their development policies.

Trusteeship

External trusteeship is one means to carry out this ‘bottom-up’, ‘top-down’ approach to promote development. As the title implies, trustees are entrusted with fostering the conditions a country needs for development. These conditions imply an environment that is suitable for empowering and enlarging choices of individuals.²¹ Environments supplying adequate healthcare provision, proper educational structures, secure spaces for public discourse, established infrastructures, and articulated economies do not appear overnight. They have to be built and fostered by policies that are properly guided.

The importance of garnering conditions that lead to development is also found in the theories of Rostow. His model, “Stages of Economic Growth”, outlined the stages a society needs to go through before achieving development. They are: Traditional Society, Preconditions for Take-off, Take-off, Drive to Maturity, and Age of Mass Consumption.²² For development to take place in a society, “Preconditions for Take-off” needs to occur before “Take-off” can take place.

Trustees assume the role of cultivating those conditions (i.e., accessibility to education, capital, and infrastructure) that bring the desired development (in this case, of human capabilities). Trustees are usually from societies that have already undergone the process of development. They know how to encourage those conditions (i.e., mass education) that bring

²¹ Staudt (1991) in Cowen and Shenton (1996). *Doctrines of Development*. Routledge. London.

²² Rostow, W.W. (1960). *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge University Press. Cambridge.

desired development and avoid those (i.e., corruption) that hinder development. Developed countries guide developing ones so that the chaos and disorder that comes with unguided development can be remedied. Forces outside the population at study are thus necessary to bring about sustainable development practices and conditions.

Latin America certainly has such a trustee in the United States, which actively seeks to influence the development decisions of its Southern neighbors. Assistant Secretary of State for Western Hemisphere Affairs (WHA) Thomas Shannon stated: “Responsibility falls to donor nations to provide the technical assistance, political support, and funding to help countries that are making the right decisions have the resources and skills necessary to make them real.”²³ Latin American peoples and policy-makers widely acknowledge this responsibility that U.S. has taken on in guiding policy-making in the region. U.S. concerns with issues of democracy, trade, drug trafficking, and crime are echoed in the rhetoric of Latin American policy-makers.²⁴ In the eyes of the trustee, focus on these issues is the right path to development and would prevent travels down unguided, chaotic development paths, such as livelihoods based on illegal drug economies.

Examples of such trusteeship are evidenced by multiple forms of U.S. presence such as business and political partnerships. These partnerships encourage development in the directions of market economies and democratic governance similar to those of the United States. They are evidenced by the plethora of free trade agreements such as: Commission for Assistance to a Free Cuba, Central American Free Trade Agreement (CAFTA), U.S. and the Organization of American States, U.S.-Mexico Partnership, Summit of the Americas, U.S.-Peru Free Trade

²³ Shannon, Thomas, Assistant Secretary of State for WHA. “Transformational Diplomacy in the Western Hemisphere.” Remarks at the Washington Conference for the Council of the Americas. Washington, D.C., May 3, 2006. (emphasis is mine).

²⁴ Regional Topics. WHA. State Department. <http://www.state.gov/p/wha/rt/>

Agreement, and others.²⁵ These agreements are very much supported by the State Department as a major force behind its foreign policies towards Latin America.

At the Washington Conference for the Council of the Americas in 2006, Asst. Secretary of State Thomas Shannon emphasized the importance of transforming the structures of current institutions and partnerships in Latin America. He set the agenda of transformation as the means to encourage democracy, economic integration, and interconnectedness with NGOs in the region.²⁶ These ideals are based in principles of empowerment, capabilities enhancement, and policy pressures.²⁷

My study focuses on one such development program: community coalitions. They are projects designed and funded by State Department and implemented by Latin American NGOs. The program's intent is to empower communities, promote public participation, connect NGOs and civil society organizations, and pressure government institutions in a comprehensive approach to improve qualities of life in neighborhoods of high drug-abuse and crime. My study is based on field observations of six community coalitions implemented in Lima, Peru. Similar coalitions have been implemented in Mexico, El Salvador, and Colombia.²⁸

In this case study, all the factors for bringing development are present. There exists an experienced trustee who is actively guiding the development process. U.S. has also provided ample funds to the community coalitions program, over US\$700,000 from fiscal years 2005-2007, or over 2.1 million Peruvian soles.²⁹ Implementing these projects are Peruvian NGOs that represent the interests of the poor Peruvians and are capable of identifying local needs and

²⁵ Ibid.

²⁶ Shannon, Thomas, Assistant Secretary of State for WHA. "Why the Americas Matter." Killam Public Lecture. Ottawa, Canada. September 14, 2006.

²⁷ Series of interviews with Foreign Service Officers in U.S. Embassy, Lima, Peru. June-Sept 2006.

²⁸ Ibid.

²⁹ Community Coalitions Budget FY 2005-2006. U.S. Embassy, Lima, Peru financial records.

reaching remote regions. Additionally, there is the Poor's own, often desperate desire for development. As the Bank's "Voices of the Poor" findings indicate, poor men and women from four continents are "Crying out for Change." Over 60,000 peoples have indicated that they need greater voice, power, inclusion, economic opportunities, education, and dignity to reach a livelihood threshold that is truly human. Mike Davis is more explicit when stating that rural areas lose their 'storage capacity' for the surplus of poor people that they are forced to leave for destinations that hold little more than glimmers of hope. Upon arrival in major cities, the rural poor form another sink of surplus labor. They are forced to become the urban slum dwellers. Davis says that the Poor engage in "ever more heroic feats of self-exploitation" to keep pace with the never-ending competition for subsistence.³⁰

But given the Poor's own, desperate desires for change complemented by the academic origins, international support, ample funding, and NGOs' participation in a capabilities approach that places the Poor's welfare at the center of development, the coalitions programs that I studied have not succeeded. When I talked to the recipients of these U.S.-funded, NGO-implemented coalitions one year after their implementation and \$700,000 spent, the projects have not had any effect on the quality of life of the Poor. The approximately 60 residents I interviewed and observed said that they, their families, and their communities still struggle with the same problems of voicelessness, powerlessness, and exclusion as before the coalitions were implemented in their neighborhoods.

I therefore ask the question: Despite the presence of these seemingly necessary and sufficient conditions, why did these U.S.-funded, NGO-implemented development programs fail to increase the quality of life of the Poor?

³⁰ Davis, M. (2004). "Planet of Slums." *New Left Review*. 26.

Chapter 2

Argument

The quality of life that I refer to is defined based on the capabilities approach of freedoms: political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security. The framework that I employ to study why development programs have failed to increase these freedoms is a comprehensive one. Just as a country's development needs to be evaluated in a comprehensive approach, we need to evaluate NGO development programs in the contexts they are situated. Thus NGOs are not analyzed as atomic, isolated organizations, but as organizations whose decisions, behaviors, and performances are influenced by their relationships with external environments. The units of analysis are of the relationships that NGOs have with donors, governments, and the Poor as well as the motivations that drive each actor's decisions.

I argue that NGO-implemented, U.S.-funded development programs tend to fail to improve the quality of life for the poor because these programs tend to be unrepresentative of, and unaccountable to, the groups they aim to help. Development programs designed exclusively by foreign government donors (FGDs) prioritize the interests of foreign governments, not of the recipient countries' Poor. The program recipients are rarely involved in the decision-making processes in substantive ways. NGOs that are supposed to advocate on the Poor's behalf in project-development processes fail to do so. The combination of actions on the part of FGDs and NGOs as well as non-representation of the Poor lead to failed programs.

I found that the interests of the Poor are fundamentally irreconcilable with the interests of foreign states. This is because FGDs' aid-giving motivations are based on their national interests and policies. In the case of the United States, these include increasing security and trade, gaining

strategic and geopolitical allies, and promoting democracy.³¹ The Poor's interests lie in poverty reduction, which involves increased political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security.³² These two sets of interests are usually irreconcilable because they are reached via different policy prescriptions.

For instance, the two countries that receive the most aid from USAID are Israel and Egypt. It is mostly due to their strategic location and support of U.S. policies. These are not the two most impoverished countries in need of aid, nor has U.S. aid led to significant increases in the citizens' quality of life in war-frequented Israel or in Egypt's authoritarian and often repressive regime. Alesina and Dollar found that most of FGDs' aid-giving have little to do with the needs and performances of recipient countries. The major determinants of aid are colonial pasts and political alliances between the donor and recipient countries.³³

In providing bilateral aid, FGDs usually give the most funds with the most conditions. This is usually referred to as tied-aid where donor countries require recipient countries to purchase noncompetitively priced imports from richer countries, which decreases the aid value by an average of 25-40 percent.³⁴ I argue that FGD development grants given to NGOs are similar to tied aid in that they also decrease the effectiveness of the development programs reaching the Poor due to geopolitical interests of donor countries. As project implementers, NGOs have to choose whether to further the interests of FGDs or the Poor through the project. I argue that these NGOs are already a self-selected group to whom the advantages of greater funding outweigh the disadvantages of the increased conditions. They are the organizations that

³¹ Meyer, C. (1995). "Opportunism and NGOs: Entrepreneurship and Green North-South Transfers." *World Development* 23(8).

³² Sen, A. (1999).

³³ Alesina, A. and D. Dollar. (2000). "Who Gives Foreign Aid to Whom and Why." *Journal of Economic Growth*, 5: 33-63.

³⁴ Deen, T. (2004). "Development: Tied Aid Strangling Nations, Says UN." *Inter Press Service*.
<http://www.globalpolicy.org/socecon/develop/oda/2004/0706tiedaid.htm>

tend to be the least poor-representative. Thus, even when these NGOs are permitted to take part in projects' decision making, they cannot be considered as advocates for the Poor. Since the problems that face the Poor are not addressed in FGD-driven, NGO-implemented programs, these programs are ineffective in improving the livelihoods of the Poor.

I proceed to analyze a specific FGD-funded, NGO-implemented development program: community coalitions of Lima, Peru and generalize my findings to other FGD-funded, NGO-implemented development programs. Community coalitions are designed and funded by the State Department and implemented by Peruvian NGOs in Lima's urban slums with the aim of reducing the communities' drug use and improving the residents' quality of life. I argue that coalitions have failed to achieve both goals because they are incompatible and cannot be pursued simultaneously. NGOs have to prioritize drug use over quality of life if they are to continue to receive donor funds. This is because the main interest of the State Department in funding coalitions is not to improve the quality of life of the Poor; rather, it is to complement the War on Drugs in Peru and the Andean region. To arrive at this conclusion, I examine the multiple interests of the State Department in funding development projects and show how it is those interests and not the interests of the Poor that are reflected in coalitions.

State Department Interests vs. Poor Interests

I argue that the State Department's interests in funding development programs are based in foreign policy goals of achieving U.S. geopolitical interests and gaining strategic regions. On the other hand, the Poor are interested in an improved quality of life, which is not in the realm of U.S. foreign policies. USAID, the foremost U.S. development agency, stated that: "the USAID budget request fully supports U.S. foreign policy goals and national security interests. The

request responds to President Bush's priorities ... as well as other administration initiatives.”³⁵

According to the State Department mission statements regarding the Western Hemisphere, the

“U.S. foreign policy goals and national security interests” that USAID fully supports are:

promoting friendly environment for U.S. businesses, advancing the wars on drugs and terrorism, implementing transformational diplomacy, and building democracy in strategic regions.³⁶

These goals are more than rhetoric. The numerous trade agreements and business partnerships between U.S. and Latin America previously mentioned are evidence of the emphasis on trade. Despite national-scale and widely broadcasted protests by poor farmers and rural populations in Latin America that are tapping into sources of popular discontent with trade policies, the United States still pursued these agreements rigorously. Most recently, during talks regarding the expansion of Free Trade Agreements (I refer to it as TLC as the Spanish acronym that is widely used in Latin America³⁷) between United States, Bolivia, Ecuador, and Peru, rural populations in these countries staged trans-regional and transnational protests that contributed to derailing contract agreements in Bolivia and Ecuador.³⁸ But in spite of these disagreements against the TLC on behalf of the Poor, who are the biggest, most immediate “losers” in the agreement, the United States continues to pressure for passage in these countries as U.S. businesses would be the biggest, most immediate “winners.”³⁹ They would gain increased access to international markets. The increased competition that TLC has brought to small farmers has contributed to growing livelihood difficulties among small farmers in Latin America

³⁵ Budget Justification. USAID. <http://www.usaid.gov/policy/budget/cbj2007/summary.html>

³⁶ Mission Statement. Department of State. www.state.gov

³⁷ *Tratado Libre Comercio (TLC)*

³⁸ La Via Campesina. International Peasant Movement. <http://viacampesina.org>

³⁹ Based on the notions of comparative advantage set forth by David Ricardo, the most efficient producers of goods would crowd out the least efficient producers.

in that they are unable to compete with large, transnational corporations.⁴⁰ These large, predominantly U.S. companies have political connections, economies of scale, monopoly markets, and many other advantages that small, rural farmers in Latin America simply cannot match. Yet U.S. policies continue to encourage trade and aid incentives for increased competition and free trade agreements in Latin America. In sum, interests between the State Department and the Poor diverge.

Another source of interest divergence in the Andean region is the U.S. War on Drugs. It receives substantial funds from the State Department and protests from coca farmers. The International Narcotics and Law Enforcement Bureau (INL) is a State Department bureau that resides in Washington, D.C. INL designs narcotics and law enforcement strategies and policies to be implemented in different countries. Bureaus such as the Narcotics Affairs Section (NAS) and Drug Enforcement Agency (DEA) based in U.S. embassies worldwide then carry out those strategies. INL is the bureau that designs and enforces the State Department drug policies. In the INL justification for its 2007 fiscal year budget of \$1.517 billion, it highlighted its mission of supporting strategic goals of State Department in reducing the entry of illegal drugs into the United States and minimizing the impact of international crime on the United States. These goals would be achieved through the President's comprehensive drug strategy targeting narcotics, organized crime, and terrorism.⁴¹ Approximately half of the annual INL budget of \$721.5 million was allocated for the Andean Counter-drug Initiative, which is the largest source of U.S. government funding to the Andean countries.⁴²

This funding has increased over the years in part due to growing resistance from coca

⁴⁰ Ibid.

⁴¹ Program Overview and Budget Summary. International Narcotics and Law Enforcement: FY 2007 Budget Justification. <http://www.state.gov/p/inl/rls/rpt/cbj/fy2007/71872.htm>

⁴² Ibid.

farmers. Like the small agricultural farmers, coca farmers have organized massive protests, garnered significant political support nationally, and gained international press coverage of their opposition to U.S. coca eradication efforts. But such strong opposition for over two decades have only increased INL budgets in the region to counter them. Interests of poor farmers and the State Department are in opposition where farmers grow and the INL eradicates coca.

The increased INL budgets have funded increased security and personnel for eradication teams amidst anti-eradication and anti-U.S. sentiments, but have also funded campaigns aimed at garnering support for anti-drug efforts in host nations. An increasing focus in the War on Drugs has been on reducing drug demand, strengthening the political will of host nations to combat drugs, and encouraging alternative crop cultivations among coca farmers.⁴³ These goals are jointly-endorsed by INL and USAID in the largest coca growing regions of Colombia, Peru, and Bolivia. This joint anti-drug effort has complemented the overall the State Department mission in the implementation of transformational diplomacy through all its bureaus and embassies.

Outlined by Secretary Rice, the State Department mission of the current administration is:

To work with our many partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people -- and conduct themselves responsibly in the international system...Transformational diplomacy is rooted in partnership, not paternalism -- in doing things with other people, not for them. We seek to use America's diplomatic power to help foreign citizens to better their own lives, and to build their own nations, and to transform their own futures...Now, to advance transformational diplomacy all around the world, we in the State Department must rise to answer a new historic calling. We must begin to lay new diplomatic foundations to secure a future of freedom for all people.⁴⁴

Deputy Assistant Secretary of State J. Scott Carpenter elaborates on the tenets of transformational diplomacy, which are: building states that respond to the needs of people, reaching out to foreign citizens, restructuring funds and personnel to priority regions of national

⁴³ Ibid.

⁴⁴ Rice, Condoleezza. "Address to Georgetown University. January 18, 2006. <http://www.state.gov/secretary/rm.htm> (emphasis in original script).

security, and recognizing that challenges are as likely to come from transnational and sub-state actors as from traditional states.⁴⁵

Transformational diplomacy is the overarching the State Department mission in Latin America. Combined with the War on Drugs, the State Department is trying to reduce drug demand and increase support for INL work by “working with Peruvians” to fight drug abuse. Doing so would “give Peruvians better lives and futures” because their livelihoods would not be based on an “illegal and dangerous” economy. Putting an end to drug trafficking would secure “greater freedoms for Peruvians” because drug trafficking profits fuel corruption and non-democratic governance. INL anti-drug programs “target sub-state actors”: drug traffickers and coca farmers as threats to U.S. national security and strategic interests because drug-trafficking encourages international crime and brings illegal drugs into the United States. USAID aims to reduce coca growth and drug-trafficking through programs that encourage the cultivation of alternative crops.⁴⁶

But the Poor have different perceptions regarding the causes of their problems than does USAID. In my 20 interviews with coalition project recipients in Peru, the most common responses when asked about the biggest problems in their lives were the lack of jobs for adults and lack of decent education for the children. These were followed by complaints regarding the lack of security, trash pick-up, and public spaces in their neighborhoods. Drug use was never cited as a problem in itself or a root cause of the bigger problems these neighborhoods faced.

Reflected in the overall rhetoric and program budgets, none of the above State Department and USAID goals is to prioritize the needs of recipient countries. Of USAID’s fiscal

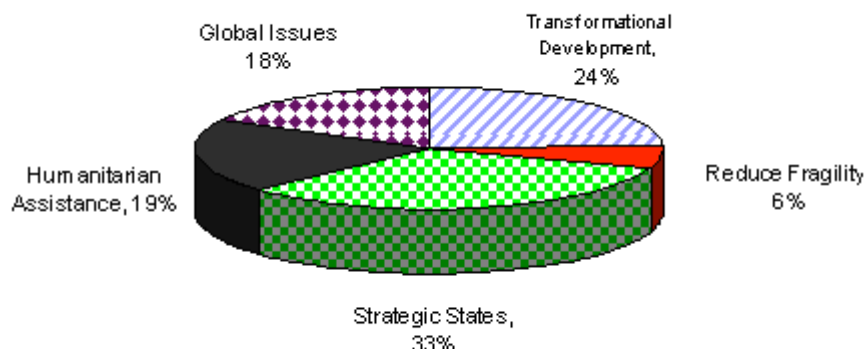
⁴⁵ Carpenter, J. Scott, U.S. Deputy Assistant Secretary of State. “Editorial in the *Política Exterior*”. Madrid, Spain. September 22, 2006.

⁴⁶ Bureau of International Narcotics and Law Enforcement Affairs. U.S. Department of State. <http://www.state.gov/p/inl/>

year 2007 budget of \$8.5 billion, only 19 percent of USAID funds go towards the needs of recipient countries in the form of humanitarian assistance. This assistance is based on criterion of urgent need, distributed to provide relief for natural disasters such as floods and famines as well as communicable diseases such as HIV/AIDS. But the budget justification emphasized that even this assistance is to be provided in ways that reinforce U.S. foreign policy objectives in other goal areas. These goal areas are how the majority of USAID funds are allocated. Thirty-three percent go towards supporting strategic states, with emphasis on Iraq, Afghanistan, Pakistan and other front-line states in the War on Terror. Twenty-eight percent fund transformational development, which directly complements the State Department's transformational diplomacy missions. It is meant to bring about fundamental changes in the recipient countries' institutions of governance and economic structure. Eighteen percent go towards addressing global issues. The issues highlighted include countering narcotics and supporting U.S. trade agreements. Finally, six percent fund strengthening fragile states because their increased stabilities would help the United States to gain strategic holds in the country and the region. For instance, USAID provide funds to reduce the instability in Pakistan, but not in North Korea because the former is a friend to U.S. interests and objectives.⁴⁷ The development goals and programs in Latin America are U.S. foreign policy, not Poor-interest driven.

⁴⁷ USAID Budget. Fiscal Year 2007. <http://www.usaid.gov/policy/budget/cbj2007/summary.html>

USAID Budget



Community Coalitions

Having an understanding of the foreign policy motivations behind the State Department - funded development programs, we can undertake a more comprehensive approach in evaluating community coalitions in Peru and generalizing the approach to other development programs funded by foreign government donors (FGDs). Coalitions are a drug-demand reduction, development program designed by INL and managed by the Narcotics Affairs Section (NAS) of the U.S. Embassy in Lima, Peru. Drug-demand reduction programs compose a small part of the overall NAS budget compared to eradication programs. Demand-reduction is approximately 10% of the overall Peruvian NAS budget, but it is growing each year.⁴⁸

Based on continued interviews with Foreign Service Officers in the embassy over a six-month period in 2006, I gathered that the increasing the State Department attention and funds given to raising awareness on the dangers of drug-use among poor Peruvians is due to the growing anti-U.S. and pro-coca sentiments within that population. These sentiments began in the Amazonian coca-growing regions and spread nationally. Over the past few years, coca

⁴⁸ Interview with NAS sub-director, Sep 2006.

farmers have increasingly traveled to the capital city to protest against the Peruvian government's coca eradication efforts. The farmers accuse their government of responding to U.S. trade and anti-drug pressures at the expense of the farmers' livelihoods. Thousands of farmers chanted: "Coca or death," meaning that their government is taking away their livelihood while not providing any viable alternatives.⁴⁹

But these anti-U.S., anti-eradication sentiments are not isolated to the coca farmers. They have gained widespread recognition and approval. Nationally, the coca leaf is referred to as the sacred leaf (*hoja sacrada*). It is associated with Incan heritage, tradition, and pride. This view has led to increasing opposition against the United States eradication efforts. Nation-wide protests and political pressures are forcing the State Department to try to gain more support for its drug policies. Roger Noriega, the U.S. Assistant Secretary of State for Western Hemisphere Affairs, responded to these popular demonstrations and pressures from Peruvian Congressmen from coca-growing regions. He insisted that the coca farmers' anger at U.S. policy was misdirected and that the United States and Peruvian governments are trying to help the farmers find legal means of livelihoods.⁵⁰

Thus, in the attempt to gain greater Peruvian support for eradication efforts, NAS has placed greater emphasis on drug-demand reduction in Peru. It is reaching out to individual Peruvians in the attempt to convince them of the dangers of drug use and coca production. Billions of dollars have been spent since the implementation of "Plan Colombia" in the 1980s in efforts to significantly reduce the amount of coca cultivated in the Andean region and of cocaine entering the U.S.⁵¹ However, while funding has increased exponentially, the hectares of coca cultivated, tons of cocaine trafficked, and price of cocaine have only decreased geometrically in

⁴⁹ Collins, D. "Peru coca farmers warn government." BBC News. 19 April 2007.

⁵⁰ "Peruvian anger over coca plans." BBC News. 22 October, 2003.

⁵¹ Shields, E. "US weighs costs of Plan Colombia." BBC News. 5 July 2005.

the past 15 years.⁵² In the attempt to bolster the success and sustainability of the supply controls of cocaine, demand-reduction and awareness-raising programs Latin American have gained increasing importance.

Community coalitions are the newest such programs in coca producing and trafficking countries. Echoing transformational diplomacy rhetoric, coalitions are meant to reach out to poor Peruvians, improve their livelihoods, raise their awareness on the dangers of drug consumption, and empower them to pressure their government to enforce tougher drug policies. With a US\$300,000 annual budget in FY 2006, US\$400,000 budget in FY 2007 and projected to increase in the future, coalition-building is contracted to six Peruvian NGOs. Their main task is to build community unity in their assigned neighborhood by uniting it around a common problem of concern. Such a united community would then proceed to acknowledge and tackle their drug-use problem through mutual support and government pressures.

The six NGOs are Agencia Adventista para el Desarrollo y Recursos Asistenciales (ADRA), Centro de Información y Educación Para la Prevención del Abuso de Drogas (CEDRO), Ser para Crecer (CRESER), Proyecto Luli (LULI), Opción (OPCION), and Servicios Educativos y Propuesta Social (SUMBI). Their respective Lima neighborhoods are San Miguel, Cercado de Lima, Pamplona Alta, Callao, Tablada de Lurin, and Villa El Salvador. The NGOs and neighborhoods are studied in the next section. I first give an introduction of what a coalition should be based on State Department guidelines. I then analyze the internal contradictions that lie within the program.

Based on NAS documents, a coalition is a vehicle for bringing together community sectors to develop and implement strategies to reduce drug abuse and improve the standard of

⁵² "Trends in World Drug Markets." Coca/Cocaine Market. World Drug Report 2006. United Nations Office on Drugs and Crime.

living in a community. Coalitions are a new concept to these communities because residents have not initiated anti-drug programs for themselves in the past. They have waited for such programs to come to them. The components of a coalition are: neighborhood residents, organizations, and institutions such as youth groups, police, education and health centers, churches, businesses, public lunch programs (*comedores*), and milk programs (*vasos de leche*). These groups are gathered together so that they may be collectively encouraged and empowered to better their community by solving problems together, such as tackling drug abuse. A coalition empowers the common resident in the poorer neighborhoods to become a change-agent in her community with the assistance of NGOs.

The stages in a coalition-building process are diagnosis, logic model, and strategic plan.⁵³ The diagnosis is the identification of problems in the neighborhood, which is obtained through conversations with the residents. The logic model lays forth the problems and the end goal (of community self-help and drug-reduction) to establish what methods are best in arriving at the end goal. The strategic plan is the steps of action to bring about the end goal. The models and plan of action are constructed during neighborhood meetings in which residents and institutional representatives should actively participate. It is best that these community meetings are facilitated by neighborhood volunteers, who should be identified neighborhood leaders that the NGOs have recruited.

The standards by which to measure coalitions' progress is how well residents, institutions, and organizations in a community know the coalition in their neighborhood and understand its ideals and goals. Do NGOs effectively communicate the coalition idea to all members and reach out to every resident? Do coalitions have a horizontal structure where all

⁵³ Noboa-Ríos, A. (2004). "Coalitions Strategy Framework." Memo to NAS-Peru from INL-D.C., documents from U.S. Embassy in Lima, Peru.

members are equally respected? Do residents view themselves as empowered individuals capable of being change-agents in their own lives? Are residents well-organized where they initiate programs based on logic models and strategic plans?⁵⁴

Basically, coalitions are meant to gather the participation of as many residents as possible, and NAS evaluates NGOs on how many residents are extensively involved in their respective coalitions. The long-term goal of coalitions is to make residents aware of the dangers of drugs and empower them to pressure their local government institutions to enact tougher drug policies. This goal falls within the transformational diplomacy mission in that it is the effort to articulate democratic structures so that governments are responsive to the needs and desires of their people. Greater internal pressures from Peruvians on their government to recognize the social ills of drug use and enforce tougher drug policies will allow greater cooperation with U.S. anti-drug efforts. Another transformational diplomacy tenet in shifting funds and personnel away from the Andean countries to the regions of higher strategic interests is also a target. But for the United States to withdraw those funds, the recipient countries need to put in their own funds to sustain the anti-drug programs. The State Department's Mission Posts are thus responding to the changing interests and needs of U.S. policies.

Upon closer analysis, I find these State Department goals to be inherently contradictory with that of improving the Poor's quality of life, which is the explicitly stated aim of coalitions. I argue that these internal contradictions make realizing both goals of drug-demand reduction and livelihood improvements among the poor almost impossible. First, "communities" were determined by NAS and NGOs, not residents. NAS set the guideline that each NGO is to work in a neighborhood of 150 families to maximize the effort devoted to each resident. The NGOs

⁵⁴ This is a summary of coalition functions and goals based on interviews with Foreign Service Officers and reviewing coalitions' literatures in NAS offices in 2006.

then chose those 150 families from the areas that they had the most connections and histories, such as places where they implemented successful projects in the past or knew the most institutions and organizations. NGOs developed their geographical coalition spaces in conjunction with NAS, who was the decision-maker in the matter. All these were determined before speaking with any resident in the chosen “community.” The lack of choice residents had in selecting their own communities was a big hindrance to the coalitions’ development. Families that happened to be grouped together because they lived close to each other, to the neighborhood activity center, to the school, or to other external markers of which they did not control, had little interest in working together. NGO staff often complained that there were a lot of rancor between neighbors, and the staff had difficulty settling those past grievances or getting the neighbors to put those grievances behind them.

A greater contradiction is that drug use is not a major problem of concern among the residents. When NGOs selected the communities they would work in, they did not base that choice on the areas with the most drug use. They said that it was because those areas were known to be dangerous and because they did not traditionally work in dangerous areas. Additionally, it is easier to start new programs in areas where NGOs knew there would be some willing participants to get the programs “off the ground.”⁵⁵ I accompanied the NGO staff in their conversations with residents during the initial stages of coalition building, the diagnosis phase. In those conversations, drug abuse rarely came up as the problem of major concern. When NGOs asked the residents about major problems they faced in their communities, the problems that were cited most frequently were the lack of employment in the area and the lack of quality education for the kids. However, NGO staff tactfully guided the conversation away from

⁵⁵ Interview with CEDRO field leader in February 2006.

problems faced by individuals to those faced by the community. After all, coalitions are supposed to focus on those problems that can be tackled collectively as a community. When listing community problems, residents went on to elaborate on the lack of neighborhood security, paved roads, trash pickup, public spaces, and other public services. The NGO staff then encouraged residents to think of the cause of insecurity in their neighborhoods and guided the answers to say that it was due to youth gangs who rob and steal from homes. Those gangs are the most dangerous when they have abused alcohol or drugs.

In their diagnostic reports, five of the six NGOs cited drug abuse as the biggest problem that residents said faced their community. Manifestations of this problem were: youth gangs are more violent when they regularly consume drugs, unemployed husbands whose drinking habits prevent them from dutifully seeking work, it is difficult to mobilize a community to work together when drug abuse prevent them from aspiring to meaningful work. The sixth NGO, CRESER, cited gang violence as the biggest community problem, one that is exacerbated by drug abuse among gang members. CRESER was criticized by NAS for not having drug abuse as its main problem in the diagnosis. NAS said that as the Narcotics Affairs Section, they fund programs that are anti-narcotics, not programs that are anti-gangs. CRESER and NAS then reached a compromise where CRESER said that it would give equal emphasis to attacking drug abuse and gang violence in its coalition.⁵⁶ NGOs are under obligations to make community problems focus on drug abuse.

This is the most fundamental internal contradiction of coalitions. Explicitly, coalitions are supposed to be centered on residents where they outline the problems they want to tackle. NGOs therefore spent six months asking residents about problems they faced and writing a

⁵⁶ Gathered as an observer of NGOs' monthly meetings with NAS, Jun-Sep 2006.

diagnosis. But the answer to that diagnostic assessment was known all along to be drug abuse. Effectively, residents had no input in these “participatory” community coalitions that the State Department designed for them. No matter what they said, it was to be linked to drugs. Participation among the Poor is only promoted when it reinforces a State Department stance.

These contradictions are manifested in implicit and subtle ways, such as word shifts from the use of the word “coca” to “drugs”. So far, I have referred to coca and cocaine as the main focuses of the INL and NAS programs in Latin America when elaborating on the State Department’s foreign policy interests. But when I introduced coalitions, I referred to drug abuse as the focus of NAS’s demand-reduction office. The word shift is consistent as used by the U.S. Embassy in Lima, Peru. When Foreign Service Officers are talking about decreasing supply in the region, cocaine and coca are the words used. When they talk about decreasing demand in Latin America, drugs is the word choice. I propose my thoughts on why the word change exists.

La Comisión Nacional para el Desarrollo y Vida sin Drogas (DEVIDA), the Peruvian national office on drugs, and the United Nations Office on Drugs reported that cocaine is used by 0.7% of the national population.⁵⁷ This percentage is concentrated among the wealthy populations in Lima, who the only ones who can afford this very expensive drug. As demand-reduction programs are not targeted towards this section of the population, it is hardly effective to use the word cocaine. Thus, demand-reduction is broadened to the realm of all drugs, legal and illegal. Encompassing legal substances is important as the most popular drugs of use are alcohol and tobacco. But it is not only the inclusion of legal substances that make the switch to “anti-drugs” from “anti-cocaine” is convenient. There is also an immediately negative concept

⁵⁷ DEVIDA. “Fuente Encuesta Nacional de Prevención y Consumo de Drogas”. (National Survey on the Use and Prevention of Drug Consumption). 2002. <http://www.devida.gob.pe/>
“Cocaine: Annual prevalence of abuse as percentage of the population aged 15-64.” Coca/Cocaine Market. World Drug Report 2006. United Nations Office on Drugs and Crime.

attached to the word “drugs”. People quickly acknowledge that drugs are social ills and support programs that combat these social ills. “Drugs” is a convenient way to categorize all legal and illegal substances in people’s minds.⁵⁸ This categorization is in opposition to the growing separation between coca leaves and cocaine in the Peruvian rhetoric as evidenced by discourses of the *sacred leaf*. Current State Department media discourses in Peru intricately link coca production to cocaine trafficking, narcotics-trafficking to crime and drug abuse, abuse to violence and social ills. These loose and implicit links are made possible by broad, all-inclusive uses of the word “drugs.” These associations with drugs, coca, violence, societal ills persuade Peruvians to desire to rid of drugs in the encompassing sense. This desire complements the State Department’s strategies in pressuring the Peruvian government to enact overall tougher drug policies, such as more coca eradications. The State Department is thus fostering and responding to the Peruvians’ desires for drug-free futures, specifically through coalitions.

Contradictions are present in less subtle ways than word shifts. The most fundamental one perhaps lies in decision-makings. In reality, all decisions have already been made and strategies designed before any coalitions were developed. Coalitions are then implemented as an after-thought, as development programs that aim to empower and build the capabilities of the common resident. This contradiction has caused much confusion on part of NGOs and residents. After one year of implementation, NGOs staff still ask what exactly a coalition is supposed to be and what are its goals. The staff are uncertain how to build community coalitions that are anti-drugs and driven by residents when the residents are not participating because they are unconcerned about drugs. Most neighborhood residents do not participate because they do not know what a coalition is or supposed to be. They also have no sense of ownership of the

⁵⁸ Derrida, J. (1995). “The Rhetoric of Drugs”. *Interviews with Jacques Derrida*. Stanford University Press, California.

coalition. In a neighborhood of intervention of 150 families, there are usually fewer than 5 active participants per coalition. Meeting sizes usually compose of 20 residents, and they are different people each time. It is ironic that a community has no idea what its community coalition is.

On the surface, coalitions appear as ‘bottom-up’ programs. Realistically, they are very much ‘top-down’, where decision-making process is non-participatory. NGOs receive and strictly adhere to NAS directives regarding how to operate the coalitions. To these NGOs, NAS plays roles of donor, administrator, facilitator, and trainer. NGOs turn to NAS when they are faced with problems or questions in any of these areas. As donor, NAS determines how much each NGO can spend in their neighborhood programs. As administrator, NAS oversees NGO work. As facilitator, NAS sets project requirements such as which neighborhoods to implement coalitions, which were chosen based on the strategy of close proximity to drug trafficking and crime, history of terrorism, and strategic targets. For instance, Callao is a port city where much cocaine has been seized; Villa El Salvador was where the terrorist/rebel group Shining Path was most active in the 1980s; Cercado de Lima is a 5-minute walk from the Congressional and Presidential offices; Tablada de Lurin and Pamplona Alta are the more state-neglected districts in Lima. NAS set the 150-families limit in each neighborhood as an arbitrarily manageable number. Each NGO then chose a collection of streets that best fit the 150-houses limit geographically. As trainer, NAS instructed the NGOs on how to build collective community action.

NGOs then pass those directives to the residents in town meetings. NGOs are very much the “over-active” type where they implement all NAS suggested activities and direct all assigned neighborhood meetings. During those meetings (approximately a different group of 20 residents

each time), NGO staff dominate the discussions and residents listen quite passively. When I ask the residents why they were not engaged, common responses were that they do not know much about the happenings of the coalition and want to leave the decision-makings to the NGO staff. The residents believe that it is better to let the NGO staff do everything since the staff have more education, knowledge, and skills than the do the residents. This is hardly an empowerment program where NGOs educate and encourage residents to be “change-agents” in their own lives. It is more of a structure where directives are passed vertically from one actor to another.

This verticality is reflected in the lack of understanding and trust between the residents, NGOs, and NAS. During interviews, residents often said that they did not understand why NGO staff spent so little time in the neighborhoods. They said that they are unmotivated by the NGOs’ talks urging them to work together because the NGOs did not know of the residents’ realities and needs. Common complaints from residents include the lack of understanding that NGO staff have of “the resident’s realities”.⁵⁹ NGOs do not spend much time in the neighborhoods because most of their time is spent writing reports to NAS, fulfilling activities’ quotas, and visiting institutions. But even if NGO staff did spend sufficient time in the neighborhoods, the staff are not empowered to make program decisions. Rather, they have to receive directives from their organizations’ directors and from NAS, who have even less knowledge of “the resident’s realities”.

This vertical structure between NAS and NGOs are also replicated within NGOs as well as between NGOs and residents. The residents have no incentive and no support to participate in programs that do not address their needs. Residents said that they do not participate in the

⁵⁹ This is a frequently cited quote from interviews conducted Jun-Sep 2006. A list of interview questions is included in the Appendix.

NGOs' activities because they are uninterested. They have other things to do than going to an anti-drug fair that a NGO is hosting.

Rancor is not limited to the residents and NGO staff. It is also present between NAS and NGOs. NAS thinks Peruvian NGOs are sloppy, undisciplined, and incapable of following simple directions. NGOs are frustrated that NAS wants to implement American ideals in Peru without trying to understand the Peruvian environment and context.

The following table summarizes the relationships between the actors based on six months of field observations from January – March and June – September 2006.

NGO	Relationship within the organization	Relationship with residents	Relationship with NAS	Relationship with other donors	Relationship with institutions
<p>Agencia Adventista para el Desarrollo y Recursos Asistenciales</p> <p>(ADRA)</p>	<p>Coordinator is usually absent from the field office. Staff has flexibility in implementing what they see fit.</p>	<p>Residents complain that staff do not spend sufficient time in the neighborhood to understand what the needs, histories, relationships in the community are. Staff spend 4-6 hours a week in the community speaking with residents.</p>	<p>Staff usually follows NAS directives without much struggle.</p>	<p>ADRA is well-known internationally. NAS chose ADRA based on its reputation among US and EU donors.</p>	<p>ADRA devotes significant time to building and maintaining relationships with institutions in the area. ADRA discouraged a resident who tried to complain about the police because ADRA did not want to have bad relationships with the police.</p>
<p>Centro de Información y Educación Para la Prevención del Abuso de Drogas</p> <p>(CEDRO)</p>	<p>Internal NGO structure is very vertical where director makes organizational decisions without staff input. Staff does not feel empowered to make any decisions as they see arise in the communities without consulting the director.</p>	<p>It's mostly young kids who participate in NGO activities. Adults are not interested in participating in movie-showings, block parties, and story-tellings that warn against the dangers of drugs.</p>	<p>NAS is annoyed that CEDRO staff cannot directly follow NAS directives but has to receive those directives through the director.</p>	<p>Well-connected with donors abroad. Programs receive funding from British, Danish, French private and public donors. But most of these funds are for specific programs lasting 1-2 years; therefore, CEDRO is always expanding and shifting its project focuses to accommodate new donors. CEDRO regularly employ foreign interns to build relationships with institutions abroad.</p>	<p>CEDRO devotes significant effort and resources towards building relationships with institutions.</p>

NGO	Relationship within the organization	Relationship with residents	Relationship with NAS	Relationship with other donors	Relationship with institutions
Ser Para Crecer (CRESER)	Most horizontal communication structure within an NGO.	It has the most community participation where residents are actively involved with planning and implementing activities.	At times strained relationship where CRESER disagrees with NAS directives. CRESER focused coalition on the problem of gang violence, not drug use based on feedback from residents. NAS was annoyed to be presented with this problem.	Director's role is to identify new donors and projects. Staff do not have to worry about recruiting new donors.	Unlike other NGOs, CRESER's focus is not institutions but residents. CRESER also attempts to build relationships between residents and institutions rather than solely between NGO and institutions.
Proyecto Luli (LULI)	Staff were rarely in the office. Salary splitting occurred where salaries meant for 2 personnel were divided among 5 personnel, and director pocketed monies. No decisions can be made without director approval.	Director dislikes working in the field with residents. Staff is paid part-time salaries and do not have much incentive to build relationships with residents. Most residents are unaware of LULI's existence in the neighborhood.	LULI does everything possible to please NAS. It implements every activity that NAS suggests without gathering the thoughts of the residents. LULI reports everything that NAS specifies. However, LULI is very resistant to field evaluators.	LULI is quick to identify potential new donors. The director volunteered to pass out the literature for a new, wealthy church in the area to build relationships with the church.	LULI is incredibly connected with government and businesses in the area through remarkable effort in keeping up regular visits to the rapidly changing staff.

NGO	Relationship within the organization	Relationship with residents	Relationship with NAS	Relationship with other donors	Relationship with institutions
Opcion (OPCION)	Internal NGO structure is very vertical where director makes organizational decisions without staff input.	Staff has difficulty building participatory projects with residents because the NGO's inner structure and relationship with NAS is very vertical.	Strained relationship where NAS is annoyed that staff responds more to the director than to NAS.	OPCION is similar to CEDRO in that it is an internationally-known NGO. The director spends most of his time marketing OPCION to international donors and is unaware of the organizations' field projects.	OPCION is well-connected with institutions as the director authorizes significant resources towards marketing.
Servicios Educativos y Propuesta Social (SUMBI)	Director is usually absent from the field office. Staff has flexibility in implementing what they see fit.	Staff's capacities in designing and implementing activities have increased through much practice, but residents' capacities are not developed to the same degree.	NAS is pleased that staff is on friendly terms with residents, something that has eluded CEDRO and LULI.	Director's main role is seeking new donors and projects.	Well established with institutions.

Findings indicate that the Poor has not benefited from coalitions. Their needs are unaddressed, and they are not empowered to advocate on their own behalf. Neither has the State Department benefited because its gain is based on the participation of the Poor. Coalitions are intended to convince the Peruvian poor of the dangers of all types of drug consumption so that they would not be so hostile towards U.S. anti-coca policies in the region. Currently, rural farmers are marching to Lima to pressure the Peruvian government to put an end to eradication efforts because coca is their livelihood. To counter these efforts, the State Department is trying to mobilize poor, urban Peruvians to pressure the Peruvian government to enforce tougher drug policies because drugs is the cause of their destitute situations. But for the State Department to achieve this goal, the urban Poor have to believe that drugs is the cause of their poverty and fully participate in these coalition programs. Since coalitions have not gained any meaningful participation from the Poor and will not gain such participation under the current program design of non-Poor representation, the State Department is not benefiting. It is not gaining any political support or strategic alliances from its investments into coalitions and similar types of demand-reduction programs in the Andean region. The NGOs that receive monetary compensations for implementing appear to be the only benefactors from implementing unsuccessful development programs.

The State Department is interested in complementing its War on Drugs in the Andean region through 'soft' development programs that are meant to 'win over the hearts' of poor Peruvians. But the Poor are interested in improving their overall quality of life, not the U.S. War on Drugs. This fundamental difference has created numerous contradictions in the implementation of coalitions, which are supposed to be poor-participatory, empowerment programs. But in practice, they have strictly vertical structures that only grant decision-making

powers to the State Department to carry out its foreign policy goals. These contradictions led to the coalitions' failure to improve the Poor's quality of life.

Chapter 3

Theoretical Framework

Based on a study of the divergent State Department and Poor interests, I have argued that the internal contradictions within coalitions are the biggest impediments to its ability to increase the quality of life of the Poor. Based on a study on how NGOs cater to NAS directives regardless of Poor directives, I believe that the problems lie not only in the State Department's lack of concern for the Poor, but also in the NGOs' non-representation of the Poor. Generalizing from the coalitions study, I employ a two-principal – agent analysis where FGDs and Poor are set as the principals and NGOs are the agent. The agent is thought to represent the interests of both principals by serving as mediators; NGOs are also envisioned as greater representatives for the Poor by serving as their advocates. However, I argue that this belief is inaccurate, and NGOs often serve as advocates for FGDs at the expense of the Poor.

One reason for greater donor-representation is that FGDs are more powerful and united as well as have more things in common with and more resources to give to NGOs. The most obvious power difference between FGDs and the Poor is that FGDs have the ability to employ and lay off NGOs, not only from this particular contract, but from potential contracts with other FGDs. As NGO workers put it, most work is contracted based on connections with donors and other powerful peoples. On the other hand, the Poor have to work with whichever NGO is assigned to them. Which NGOs would act as the mediator between FGDs and the Poor were chosen without input from the Poor. This lack of representation leads to program conflicts witnessed in coalitions and applicable to other development programs. The complaint that NGOs do not spend enough time in the neighborhoods to understand people's realities stems from the residents' frustrations of non-representative NGOs. If the Poor had a choice in which

NGOs they worked with, the selected NGOs would be more Poor-representative. In the current power structure, when an NGO has been assigned to a target group of the Poor, an explicit theme of the development project has already been decided (i.e., anti-drugs, environmental protection, women's rights, education). For instance, if the Poor's greatest problems lie in education and they have been assigned a healthcare NGO, they either have to implement healthcare programs regardless, or make education problems appear as health problems and implement a hybrid program. As evidenced by coalitions, both strategies face the obvious problem of confusion over the program's mission and identity as well as non-participation by the poor.

Secondly, FGDs are more united and organized than the Poor because a foreign government presents a united policy stance. State Department programs are based in U.S. foreign policy. INL and USAID programs work together to achieve State Department goals. INL budget justification of \$1.5 billion annual budget is meant for transforming the host nations' institutions and drug societies. USAID allocates most of its \$8.5 billion annual budget to transformational development. In the Andean Counter-drug Initiative, INL eradicates coca, and USAID encourages alternative crop cultivations. Drug demand-reduction programs are implemented by NAS, the office under INL. Extensive communication and funds ensure that all departments and bureaus are working together to achieve the "President's Initiative."⁶⁰ These developed and coordinated policies result in better-defined requisites that are easier for NGOs to follow. On the other hand, the Poor's diverse interests and compositions make collective action extremely difficult. Allowing for categorization of specific groups of the Poor such as slum dwellers, rural farmers, abused women, the disabled, and numerous others, their differences in immediate needs and lack of connections with each other prevent collective actions. In

⁶⁰ USAID Budget Justification FY 2007.

coalitions, residents in the same neighborhood did not work together to articulate their demands and needs. Thus, even if a group of the Poor shared similar backgrounds and interests, they are unlikely to gather collectively because they lack the resources and leadership to do so. Yet even allowing for the possibility of collective action, the group's lack of power prevents collectivism to transform into substantive political influence.

Third, FGDs often have more in common with NGOs with respect to socio-economic status, education, race, class, and ideology.⁶¹ NGO staff (especially directors) usually come from middle or upper-class, non-indigenous backgrounds. They live in the same middle or upper-class neighborhoods that Foreign Service Officers do. The NGOs' main offices are located in commercial districts, not in the poor neighborhoods that NGOs hold programs. Children of NGO and FGD staff attend the same elite, private schools while poor children attend under-funded, under-staffed, under-taught public schools.⁶² NGO staff hold degrees from elite national, European or U.S. universities. They usually travel abroad extensively, funded by FGDs to receive training and establish networks. These travels help NGOs establish political connections domestically and internationally as the main avenue of gaining work. The fact that they are non-governmental means that they have to associate widely with governmental institutions to be considered legitimate and influential. Such associations encourage NGO staff to hold moderate, popular political ideologies so that they do not alienate any potential donors from the pool of wealthy national elites, national institutions, or foreign governments. In these similarities that FGD and NGO staff share, there exist many more avenues for NGOs to communicate with FGDs than with the Poor.

⁶¹ Stiles, K. (2002). *Civil Society by Design: Donors, NGOs, and the Intermestic Development Circle in Bangladesh*. Praeger Publishers. Connecticut.

⁶² Bebbington, A., G. Thiele, et al (1993). *Non-Governmental Organizations and the State in Latin America*. Routledge Press. London.

In the coalitions I studied, the NGO staff lived in the wealthiest Lima neighborhoods of San Borja, Miraflores, La Molina, Casuarinas, where they were just blocks away from many Foreign Service Officers. Their children attended the same English-taught private schools, whose tuitions were US\$5,000 per year,⁶³ which is roughly equivalent to Peru's GDP/capita, or over five times the income of the 40 percent of Peruvian living below the poverty line of \$730 per year. All of the Peruvian NGO workers attended university. Most attended private universities such as Universidad de Lima, Pontificia Universidad Católica del Perú, and Universidad Ricardo Palma. Entrance into these universities requires not only the ability to pay approximately US\$8,000 tuition annually⁶⁴, but also the previous twelve years preparation in private primary and secondary schools. Some NGO staff attended or studied abroad in American or European universities. Comparably, many of the residents that NGOs work with are illiterate. Their children attend the public schools that are under-funded and under-staffed. They are not prepared to enter university as their matriculation scores are inadequate. Even if they scores are sufficient, many residents cannot afford the \$500 annual tuition fees in the under-funded and understaffed public universities.⁶⁵

Most NGO workers hold moderate, Western ideologies. Most residents hold strong Leftist, anti-Western ideals. In the 2006 national elections, the NGO workers I interviewed voted for Flores Lourdes, a candidate characterized as the pro-free trade, pro-West lawyer and businesswoman with many connections and degrees in U.S. and Europe. The residents I spoke with voted for Ollanta Humala, who had the endorsement of the Venezuelan President Hugo Chavez. Both portray themselves as strong leaders who are pro-coca, pro-nationalization, anti-U.S., and anti-free trade agreements.

⁶³ Fees for the Franklin Delanor Roosevelt School, Lima, Peru. <http://www.amersol.edu.pe/fdr/index.asp>

⁶⁴ Tuition Fees for Universidad de Lima, 2006-2007. www.ulima.edu.pe

⁶⁵ Tuition Fees for Universidad de San Martin de Porres, 2006-2007. www.usmp.edu.pe

Another difference is that FGDs have more information about the NGOs they work with than do the Poor. While NGOs are obligated to provide information to their FGDs as part of enforceable contract mechanisms, NGOs are under no such obligations to the Poor to provide similar information about project donors. In conversations with the residents, none of them had any idea as to how or why the State Department is involved with NGOs. They were curious about the State Department's intentions and wanted to communicate with it to understand more about coalitions. The residents wanted to know more about coalitions because they were very confused about what exactly were coalitions and what they were supposed to do as residents to build coalitions. They did not feel that NGOs provided them enough information about coalitions or the State Department. However, none of them felt comfortable enough with the NGOs to question them. From interviews, I gathered that the residents thought that the NGOs were under a lot of pressure from the State Department to undertake activities, but they did not know what those activities were or why there was pressure.

The disconnection that residents felt with the State Department was sometimes manifested in confrontational relationships between residents and NGO staff. In the Villa El Salvador coalition that SUMBI headed, there was a two-month period where the coalition members told NGO SUMBI that they wanted to speak with the State Department directly because they felt that the NGO was being an unnecessary middle-man who did not communicate very clearly. The coalition members debated whether they wanted to break from NGO SUMBI so that they could directly interact with the U.S. Embassy. This debate loomed dominated the meetings for approximately two months. In the end, the president of the coalition convinced other members to stay with NGO SUMBI on the grounds that the coalition was ill-equipped to interact directly with the U.S. Embassy because the coalition did not have the experience in

interacting with foreigners that SUMBI did. Upon this decision, the dissenting members left the coalition. It can be said that this break served to divide the neighborhood. The coalition's leaders jockeyed for their own followers and alienated dissenting opinions. The coalition has not been an activity that gained the full participation of the entire neighborhood. Through this two-month period, the U.S. Embassy knew of the conflict because of reports from SUMBI, but it did not attempt to visit the coalition.

The non-representation that coalition members feel is extended across all coalitions. The NGO ADRA has also been losing membership in its coalition. The conflict arose when coalition members wanted to confront the police as a coalition in its mistreatment of neighborhood youth. There have been problems of very rough treatments by police of teens when they loitered in the streets. Some members were angry that the police would abuse their authority to pick out the non-delinquent teens as a way to 'set an example.' However, the police are nowhere in sight when there are actual security problems of fights, thefts, and robberies. Some coalition members wanted to appeal to the police chief to highlight these power abuses. However, the NGO ADRA discouraged the idea citing that the coalition is still trying to build a reputation in the community and should not be making enemies with government institutions. NGO ADRA convinced some coalition members (mostly those affiliated with institutions) to its point of view. The dissenting members left the coalition out of frustration. In an interview, a member that left cited his frustration with the coalition's inaction as his reason. He felt that the NGO ADRA was content not to cause any stir and generally uninterested in the welfare of San Miguel. He thought that NGO ADRA has effectively discouraged instead of encouraged any new ideas that the residents had to affect change. He was also frustrated that ADRA only encouraged neighborhood activities that had the theme of drug-use, which he thought was unnecessary and

ineffective.

In addition to these differences between NGOs and residents, NGOs also less connected to residents because they provide fewer incentives than FGDs do. FGDs usually give higher salaries than domestic donors, more opportunities for foreign travel, and increased access to other work contracts. In the coalitions, NGO staffs' salaries are 3-5 times those of domestically funded NGOs and grassroots organizations. The staff travel to the U.S. at least twice a year to receive all-expense paid trainings and speak with State Department officials and personnel. NGOs' connections with the State Department have served them well in that they were able to contract work with USAID and other American and European donors. FGDs also have full-time staff and contractors to monitor NGO activities to be sure that they are doing what FGDs contracted them to do. In the Embassy, NAS has a Program office, Accounting office, and Management office with U.S. and Peruvian personnel whose jobs are to perform audits and checks on NGO reports. There are no such concrete, enforceable mechanisms that exist to the Poor from NGOs to ensure they are doing what the Poor want. As the field examples demonstrated, there exist little channels for residents to communicate their desires to NGOs because they do not feel comfortable doing so. Even when they did do so, there are no mechanisms to ensure that NGOs follow through, and many times they do not.

In effect, the divergent interests between FGDs and the Poor means that NGOs cannot serve as an intermediary that reconciles the two sets of interests to reach a 'win-win' situations. NGOs have to choose whether to further the FGDs' interests or the Poor's interests through the project. I argue that NGOs often serve as the agent of the FGD at the expense of the Poor. Or, NGOs choose to further the interests of the FGDs over the interests of the Poor. This is because the FGDs have more power, provide more funds, engage in more monitoring, and have more in

common with the NGOs.

But the different interests between FGDs and the Poor are not the only hindrances to Poor-representative development projects. I also argue that NGOs who are put in the situation of having to choose between FGDs or the Poor tend to be the organizations that are the least poor-representative. The NGOs that seek FGD funds to carry out FGD-designed projects are a self-selected group to whom the advantages of greater funding outweigh the disadvantages of the increased funding conditions. These NGOs willingly accept the fact that donor opinions trump their input on matters relevant to the Poor. And even if these NGOs are permitted to take part in the decision making process, they cannot be considered representatives for the Poor. This is due to the fact that these NGOs are the ones who have more characteristics in common with FGDs than with the Poor, which is the reason they are chosen to receive FGD funds in the first place.

This characteristic of non-representative NGOs that work with FGDs lead to even more non-Poor – representative projects. The counterargument that may be raised is that this study of U.S.-funded coalitions is too case-specific to the United States as a FGD. There perhaps exist other FGDs who are more concerned about the welfare of the Poor and wish to work with poor-representative NGOs. These are the donors that J-C Berthelemy labeled as altruistic where their aid-giving behavior is based on more on characteristics of recipient countries than on self-interests, such as Switzerland, Norway, Austria, and Ireland.⁶⁶ We shall call these FGDs ‘good’.

However, I argue that my critique of those development programs failing to improve the quality of life of the Poor still holds. Even if good FGDs are concerned about the Poor’s interests, they hold their beliefs on what development ought to look like, which may or may not be aligned with the beliefs of the Poor on what they think development should be. In general,

⁶⁶ Berthelemy, J-C. (2006). “Bilateral Donors’ Interest vs. Recipients’ Development Motives in Aid Allocation: Do All Donors Behave the Same?” *Journal of Development Economics*, **10**(2).

donors give money to causes that they agree with and wish for their money to be spent in a manner consistent to their beliefs. The cause that FGDs want to fund is development in a good, orderly, and civilized manner. No 'good' FGD gives carte blanche to NGOs or the Poor to carry out whatever they see fit. No FGD would fund programs that reinforce patriarchy, inequality, and other undesirable traits. There are established themes such as human rights, women's rights, indigenous rights that 'good' FGDs prefer to fund based on their ideals of 'good' development. These themes are endorsed by authoritative, international policy bodies, such as the World Bank, United Nations, International Monetary Fund, and Inter-Americas Development Bank. The themes are then projected through the FGDs' given applications, which ask how the funded projects will meet those established themes. Most grant applications break down to themed areas, and applications obviously have to fit into those themes. In the project evaluations, FGDs evaluate how well the proposed projects align with their frameworks. These beliefs never completely align with those of the Poor due to their disparate characteristics as previously mentioned.

NGOs that undergo these applications do not do so with the intent of providing new information to FGDs to challenge their existing beliefs. Instead, the applications are meant to secure funding for NGO projects. The successful applicants are the ones that align the most with the FGDs' ideals as with any type of application processes. Therefore, the more opportunistic NGOs, those that are more concerned about securing themselves a wage, invest the most in gathering the opinions of FGDs to ensure their successful applications. They portray themselves as poor-representative organizations when they are actually quite unrepresentative and unknowledgeable of the Poor's needs. Due to this selection bias, good FGDs are rarely updated with new information about the Poor to update their existing beliefs.

With the Peruvian coalitions, NGO LULI was the most opportunistic of the six coalition NGOs. It was selected as a NGO to implement coalitions because it is well connected with government and businesses in the Callao area and has a history of working with foreign donors. LULI expends remarkable effort to ensure regular contact with institutions, businesses, and potential donors through continued visits. It is always eager to fulfill whatever requirement NAS sets for it and sends in the most glorious progress reports. However, when independent evaluators and I accompanied LULI in their visits to residents, we recognized that none of the residents knew what LULI was despite the fact that LULI has worked in the same 150-family neighborhood for over a year. The attendees at LULI's coalition meetings composed mostly of institutional representatives who were dispatched by their institutions and have no interest in the neighborhood. LULI also invests extensive effort in finding out the desires and missions of the State Department so that its reports can fit with their goals. LULI only goes to gather the opinions of Callao's residents when it is inspected by evaluators.⁶⁷

Even more problematic, these opportunistic NGOs tend to crowd out the more poor-representative NGOs from the FGD selection process. Opportunistic NGOs devote most of their resources to gathering FGD preferences and shaping the NGOs' work around those preferences to ensure funding. Poor-representative NGOs prioritize the needs of the poor, they devote fewer resources (time, strategies, funds) towards gathering FGD preferences. The less work these NGOs give to FGDs make them less known to donors.

This is especially true when FGD selection processes are made by Foreign Service Officers. According to the U.S. State Department and other foreign governments' diplomatic policies, Foreign Service Officers are stationed in a country for 2-4 years at most. They begin

⁶⁷ This information was gathered from interviews with two LULI secretaries and discussions with independent coalition evaluators Jun-Sep 2006. (See fieldwork table).

working upon arrival and select NGO partners not based on rigorous screening processes and thorough investigations. They work with the NGOs that their predecessors or other FGDs recommended in order to decrease the investigation period and increase the productivity period in progress reports to their headquarters. These Foreign Service Officers do not know which NGOs are poor-representative and which are opportunistic because they do not even know who the Poor are or what are their needs.

Foreign Service Officers operate based on the interests of their national governments. In fact, for them to become Foreign Service Officers, they have to pass numerous security clearances and swear several oaths of allegiances to their countries and countries' interests. These screeners are not development or poverty experts and are not in positions to judge the validity and usefulness of such projects since they are not trained as such. Thus even if FGDs are 'good' in that they are concerned about the Poor's welfare of recipient countries, they are ill-equipped to judge the needs of the Poor. Grant applications, the main channel through which they receive updated information from the NGO applicants, are insufficient in judging the needs of the Poor and the representative nature of NGO applicants.

Therefore, the combination of donors' non-interest in the recipient countries' development, of NGOs prioritizing FGD interests, and of asymmetric information between actors leads to ineffective development programs. Though these programs receive abundant material resources and are based in a capabilities approach framework, those traits cannot compensate for the lack of downward accountability, improperly identified NGOs, and unequal power relationships that result in suboptimal program outcomes. The outcome is such that neither the Poor nor FGDs benefit.

Chapter 4

Recommendations

We label FGDs as “egotist” if they are unconcerned about the Poor’s welfare and fund participatory development projects with the main intent of furthering their foreign policies. ‘Participatory’ means that these projects require the Poor’s participation for donors’ foreign policies to be reached. I propose that egotist FGDs should re-evaluate whether they want to fund such projects at all. Coalitions would have reached their two-year anniversary and spent \$700,000 at the end of 2007.⁶⁸ They are nowhere close to realizing the State Department’s goal of having Peruvians support the War on Drugs and pressure their government to enforce tougher drug eradication and enforcement policies. As mentioned in chapter 3, this is because the goals of endorsing participatory programs and furthering U.S. foreign policies are at odds with each other. If programs have the goal of furthering State Department policies, then it is not Poor participatory. Gaining meaningful participation from any target group requires that the interests and needs of that group are prioritized. Thus, if the State Department still wishes to continue the coalitions program, it needs to restructure the program such that the goal is not related to drugs or U.S. interests, only to the interests and needs of the Poor.

This restructure is not likely to occur as it would require a restructure of the State Department as an organization whose mission is based on furthering U.S. interests in strategic regions. I therefore suggest that the State Department end the coalitions program as it has benefited neither its foreign policy goals nor the Poor. Ending this coalition program would prevent more unsuccessful coalitions in Colombia, El Salvador, and Mexico. They are in more infant stages than those of Peru and are seeing even fewer successes. My recommendation also

⁶⁸ NAS Financial Report FY2007.

carries to other participatory development programs that State Department funds throughout the world. If they have contradictory goals of furthering U.S. foreign policy through substantive participation of the recipient countries' Poor, these programs should be ended as they benefit neither FGDs nor the Poor.

We now move on to the second scenario, where FGDs are 'good'. These FGDs already prioritize the interests of the Poor in their programs. Then these FGDs should devote more resources to identifying and selecting NGO partners that are Poor-representative. 'Good' FGDs should re-allocate their funds where a greater portion is spent researching who the Poor are, what their needs are, different NGOs' backgrounds, and match subgroups of the Poor with appropriately equipped NGOs. This research should be done by independent evaluators. For instance, 'good' FGDs could employ independent evaluators to identify the target groups of the Poor whose interests are most congruent with the budget guidelines of the FGDs, such as specific budgets allocated towards health issues. After identifying a population in need and assessing their specific health issues, the evaluators can then identify NGO partners who have a potential of addressing those issues through a representative manner. All these would take place before any applications are filled and programs implemented. Doing so gives the FGDs and their Foreign Service Officers a sense of the needs of a country's Poor before they signal their particular interests to NGO applicants.

The goal of employing independent evaluators is to provide more unbiased information to 'good' FGDs so that they have a better sense of what the Poor's needs are. Another way for 'good' FGDs to receive more information is to allow more flexibility in their applications. Applications that are more open-ended to different types of program ideas encourage more information inflows from a more diverse pool of NGOs. If 'good' FGDs view the roles they play

as information-gathers instead of information-givers (i.e., trustees), they would be in better positions to evaluate a development program's merits. As the 1999 World Bank report on NGOs suggested, donors should have a "better understanding of the prerequisites and conditions necessary for successful NGO programs".⁶⁹ The World Bank is acknowledging that donors need to be more open to new information and should not single-handedly set application standards that do not allow for the input of a wide array of actors: evaluators, diverse group of NGOs, and the Poor themselves. The concern that it may be more difficult to evaluate programs without strict standards should be alleviated by a more informed pre-selection and selection process.

The World Bank report also listed conditions of when NGOs and Donors should not partner in projects. These include when procedures are ill-adapted to NGO capacities. The U.S. Embassy indeed selected NGOs who were not trained in developing participatory and capabilities focused programs. Among many other program flaws, the U.S. Embassy selected NGOs that had a history of implementing anti-drug activities, not participatory activities.

Donors should also stay out of development projects if they are on deadlines because it causes them to impose unrealistic timetables on NGOs. Timetables should not be artificially imposed when dealing with something as fluid as participatory programs that are based mostly on human interactions. Timelines should instead be carefully evaluated keeping in mind the Poor's needs, NGOs' capabilities, environments of intervention, and relationships between program actors. In the coalitions, the State Department set timelines for NGOs to have spoken with a certain number of residents and implemented a certain number of activities after so many months. These timelines placed undue pressure on NGOs to keep up a schedule of reports for

⁶⁹ Gibbs, C., C. Fumo, T. Kuby. (1999). "Nongovernmental Organizations in World Bank-Supported Projects: A Review." The World Bank. Washington, D.C.

the sake of writing reports and did not encourage them to be aware and responsive to the emerging needs of the residents. Including NGOs and the Poor in setting timelines is one part of greater inclusion in implementing donor projects.

A third instance of when partnership should be foregone is when there is a lack of consistent approaches. When donors and NGOs are uncertain of each other's goals and cannot coordinate their objectives, confusion over the project is inevitable and will grow as the project grows. The confusion certainly does not benefit the Poor and can even make situations worse if the Poor's voices are disregarded as they were in the coalitions. It can make marginalized populations feel even more marginalized by building up their hopes of inclusion then disregarding their opinions.

To avoid these conditions of unsatisfactory partnerships, the World Bank listed necessary conditions for NGO projects' successes. A country's environment for NGO activities needs to be fostering where its legal frameworks are supportive of NGO activities. Participatory relationships between the Poor, NGOs, government institutions, and donors are also needed to ensure that all players' voices are equally heard. Lastly, the capacities of NGOs to deal with poor clients, wealthy donors, and powerful institutions are necessary to build a horizontal relationship between these actors and serve as the representative of the Poor. If the NGO lacks that capacity, then it can worsen the Poor's situation by creating relationships of dependency. NGOs depend on donors and institutions for directions to act, then pass on that dependency relationship to the Poor where they wait for NGOs' instructions to act. In the coalitions, except for the dissenting members who left the coalition when they felt that it was not meeting their needs, many members ended up relying on NGOs to tell them what their problems are and waiting for NGOs' signals as to how to deal with problems within or out of the coalition.

Based on these conditions for NGO-donor partnerships, the World Bank made the recommendations that donors become more transparent and inclusive of NGO-partners when making program decisions as well as provide participatory training and institutional development to NGOs that are untied to donor programs. Donors and NGOs should also foster supportive external environments by working with government institutions to establish policies that encourage NGO work. In addition, Monitoring & Evaluation (M&E) should be made joint exercises between donors, NGOs, and the Poor.

Basically, the Bank is saying that donors should prioritize NGO development and needs of the Poor when designing projects. This general recommendation is in agreement with what I am proposing. However, I do find the specific recommendations that the Bank is proposing somewhat problematic. The Bank states that a condition necessary for successful NGO projects' are environments that encourage those projects. But it can be said that a goal of these NGO projects is to encourage environments that are friendly towards NGO projects and goals. If environments that supported NGO work and respected the voices of the Poor existed, there would be little need for NGOs to provide poverty alleviation mechanisms to the marginalized populations. Supportive external environments are thus both a goal and a condition at the same time. The Bank also recommends that donors work with NGOs and governments to develop policies that encourage NGO work. But donors often work with NGOs because they do not want to work with governments. The Bank's specific recommendations are of policies that are exactly what projects are trying to accomplish.

Nonetheless, the Bank's overall recommendations are worth noting in that they suggest NGO programs cannot be evaluated in a vacuum. Program successes and failures do not only depend on NGO performance alone, but on environments and relationships that encourage or

hinder NGO functions. The relationship between NGOs, foreign donors, project recipients, and government institutions play a vital role in determining development projects' successes. Thus, we conclude with Nussbaum's argument of combined capabilities. Just as in human development, matured internal capabilities of NGOs need to be combined with suitable external political environments to build development programs that effectively improve the quality of life of the Poor.⁷⁰

But the building of suitable external environments should not be guided by other developed countries or outside trustees. Instead, these environments should be built through substantive, popular participation and guided by the needs of a country's citizens, especially the Poor. No outside trustee, egoist or 'good' donor would have the information or altruistic interests necessary to build the environments necessary for successful development to take place. Additionally, we should recognize that NGOs are not the "magic bullet" for improving the Poor's quality of life.⁷¹ If we realize that NGOs are complements, not substitutes, for a state's infrastructure development, working institutions, obligations to its citizens, and welfare policies, there will not exist unrealistic expectations for NGOs to fulfill roles they are not designed to do.

Nor will my recommendations provide the "magic bullet" to FGD-NGO partnered programs. What I have attempted is to provide a framework to analyze the problems of development programs. With egoist FGDs, I suggest that both recipients and donors may be better off if the façade of participatory projects is done away with. With 'good' FGDs, I recognize that my recommendations are only a beginning towards rethinking development partnerships. I do not attempt to elaborate on those recommendations because doing so would be

⁷⁰ Nussbaum, M. (2000). *Women and Human Development*. Cambridge University Press. Cambridge, UK.

⁷¹ Edwards, M. and D. Hulme (1996). *Beyond the Magic Bullet: NGO Performance and Accountability in the Post - Cold War World*. Kumarian Press. Connecticut.

contradicting my argument for gathering meaningful participation and giving weight to the input from the poor themselves before any project decisions take place.

Further Studies

My recommendations raise the question of exactly how the Poor can participate in ways that substantially transform their political, economic, and social situations. If the framework to think of these problems is through the capabilities approach and true participation on part of the Poor, how can that framework be translated into concrete development actions? My recommendations are not country-specific, but concrete actions should be.

My findings indicate that FGD-funded and NGO-implemented development programs fail to improve the quality of life for the Poor and fail to reach donor objectives. This is because these programs are designed with foreign policy objectives in mind, which lead to multiple contradictions when these ‘poor-participatory’ projects are implemented. These contradictions keep ‘empowerment’ programs from reaching any of their goals. However, these failures do not mean resources and funds should not travel to the countries and the marginalized populations in need. On the contrary, I have highlighted these development programs’ failures in an attempt to encourage further studies that would explore how to improve the quality of life for the Poor in a substantive and significant manner.

Appendix A

Questions used during interviews conducted Jun-Sep 2006 in Lima, Peru

For Foreign Service Officers at the U.S. Embassy in Lima, Peru

1. What is a coalition?
2. Why has the Department of State (DOS) decided to implement coalitions?
3. Why are the first coalitions implemented in Lima?
4. What is the Narcotics Affairs Section (NAS) the office to implement coalitions?
5. How is drug-demand reduction related to coalitions?
6. How were the NGOs selected?
7. How often do you meet with NGOs?
8. How often do you meet with the residents?
9. How were the coalition neighborhoods selected?
10. Has the coalition met its initial goals after the first year?
11. What are the major successes and challenges you have faced in the coalition?
12. What are aspects you believe the coalition can be improved upon?

For NGO staff

1. What is a coalition?
2. How were you chosen to implement the coalition?
3. How did you choose to implement the coalition in this neighborhood?
4. How has the coalition progressed in the past year?
5. Are the residents responsive to the coalition? How do they participate in its meetings and programs?
6. What are instances of collective action undertaken through the coalition? How successful were they? How many people attended? How long did it last?
7. What are the major successes and challenges you have faced in the coalition?
8. What are aspects you believe the coalition can be improved upon?
9. In what ways can the residents better assist you in building a successful coalition?
10. In what ways can your fellow staff assist you in building a successful coalition?
11. In what ways can the Embassy assist you in building a successful coalition?
12. In what ways can Peruvian government institutions assist you in building a successful coalition?

For residents that participated in coalitions

1. What is a coalition?
2. Why do you participate (not participate) in the coalition?
3. Why was the coalition implemented in your neighborhood?
4. Has the coalition affected your life in a positive manner? If so, how? If not, why not?

5. How often do you participate in coalition meetings and programs?
6. Are you a member of other community organizations, such as community kitchens and children's milk programs? How often do you participate in those organizations' programs?
7. What do you think are the major successes and challenges in the coalition?
8. What are aspects do you believe the coalitions can be improved upon?
9. Do you think your inputs affect the decisions the coalition makes?
10. How often does your coalition interact with the Embassy?
11. What are the major problems in your neighborhood?
12. How do you think those problems could be resolved?

Appendix B

Models used to build the theoretical framework

The unit of analysis is of the relationship between project actors: foreign government donors (FGDs), nongovernmental organizations (NGOs), and the Poor. I employ game theory models of principal – agent problems, market for lemons, and suboptimal Nash equilibrium to study the relationship.

1. Principal – Agent Problems

Definition: Principal – Agent Problems emerge when a principal hires an agent to perform functions that the principal wants fulfilled under conditions of asymmetric information and little monitoring.⁷²

Interpretation: I set a two-principal – agent model where FGDs and the Poor are the principals; NGOs are the agent. The agent is supposed to represent the interests of both principals by reconciling any differences that may emerge. However, I argue that the two sets of interests are divergent and irreconcilable, and the agent usually abide by donor interest at the expense of Poor interests.

2. Market for Lemons

Definition: Quality heterogeneity and asymmetric information exist. A buyer does not know whether the product she is about to purchase is good or bad due to the asymmetric information. There thus exist incentives for the seller to pass off a low-quality good as a higher-quality one and crowd out high-quality goods from the market.⁷³

Interpretation: I construct a Market for NGOs. Asymmetric information exists between FGDs (buyers of NGO services) and NGOs (sellers of NGO services). FGDs have little information about the level of poor-representation of an NGO. There thus exist incentives for Donor-representative NGOs to disguise themselves and crowd out Poor-representative NGOs for donor selections.

3. Suboptimal Nash Equilibrium

Definition: A solution concept in a game involving two or more players where no player has anything to gain by changing her strategy unilaterally. In other words, each player has chosen a strategy, and no player can benefit by changing her strategy while the other players keep theirs unchanged.⁷⁴

⁷² Gardner, R. (2003). *Games for Business and Economics*. Leyh Publishing, New Jersey.

⁷³ Akerlof, G. and M. Maun (1970). "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism". *Quarterly Journal of Economics* **84**(3): 488-500.

⁷⁴ Fudenberg, Drew and Jean Tirole (1991) *Game Theory* MIT Press.

Interpretation: The strategy set is such that FGDs abide by their countries' interests and do not invest enough resources into selecting poor-representative NGOs; donor-representative NGOs know what donors are looking for and disguise themselves as poor-representative NGOs; the Poor are unrepresented in development project decision-making processes. The combination of these traits makes development projects fail to improve the quality of life for the Poor.

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